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SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 27 August 2003, at 10 a.m.

President: Mr. SREENIVASAN (India)

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The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2002 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.27/2 and Add.1)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.27/12)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003** (*continued*) (IDB.27/2, IDB.27/6 and IDB.27/8)

(b) **FINANCIAL SITUATION OF UNIDO** (*continued*) (IDB.27/10; IDB.27/CRP.7)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES** (*continued*) (IDB.27/7 and Add.1)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005** (*continued*) (IDB.27/4)

(e) **FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION** (*continued*) (IDB.27/2)

(f) **TRANSITION TO A SINGLE-CURRENCY SYSTEM** (*continued*) (IDB.27/9)

(g) **FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 2000-2001** (*continued*) (IDB.27/6)

(h) **APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.27/5 and Add.1; IDB.27/CRP.2)

PROGRAMME AND BUDGETS, 2004-2005 (*continued*) (IDB.27/3)

1. **Mr. TAKASU** (Japan) said he concurred with the Director-General's positive assessment of UNIDO's stable financial situation.

2. The strategic guidelines for UNIDO adopted at the Board's previous session, which provided a framework for focusing technical cooperation and global forum activities on producing practical and useful deliverables in areas where the Organization had a comparative advantage, reflected the commitment of Member States to keeping UNIDO's activities in line with the objectives of the evolving international development agenda and, in particular, the Millennium Development Goals. UNIDO had a special role to play in strengthening the export capacity of developing countries and contributing to the Clean Development Mechanism established under the Kyoto Protocol.

3. The report of the Commission on Human Security, *Human Security Now*, which had been submitted to the Secretary-General in May 2003, was also of relevance to UNIDO. It stressed the importance of integrated action to address the various sources of insecurity, and its recommendations emphasized the need for protection and empowerment of people and communities.

4. Japan urged UNIDO to work for efficient and effective programme delivery in accordance with the strategic guidelines and to integrate the human security perspective into its programmes. He was encouraged by the Organization's response to date on both fronts and announced the approval of UNIDO's first project under the Human Security Fund financed by the Government of Japan: a post-conflict community empowerment project in the Sudan. It was expected that a further Fund project—to mitigate arsenic poisoning in Bangladesh—would shortly be approved. He hoped that UNIDO would continue to implement worthwhile projects aimed at overcoming economic insecurity.

5. UNIDO's active participation in major international conferences enhanced its profile as a development actor. Japan therefore counted on a strong UNIDO contribution to the Third Tokyo International Conference on African Development (TICAD III), to be held from 29 September to 1 October 2003, whose purpose was to support the New Partnership for Africa's Development (NEPAD). As a follow-up to TICAD II, Japan had provided support through UNIDO for the establishment of the Asia-Africa Investment and Technology Promotion Centre in Malaysia.

6. He welcomed the early agreement on the level and content of the budgets for 2004-2005 as a sign of greater stability and predictability of UNIDO's activities, and commended the Director-General on demonstrating a firm commitment to continuous improvement of the Organization's efficiency. He also welcomed the appointment of the Comptroller General. While the high collection rate was a manifestation of Member States' confidence, he was concerned that there had only been a marginal decline in the number of Member States with suspended voting rights. He urged those States and former Member States still in arrears to formulate payment plans and settle their debts as soon as possible.

7. **Mr. RATNA SHAH** (India) reiterated his country's commitment to UNIDO's activities, as was borne out by its regular payment of assessed contributions and annual voluntary contribution of

around US $1 million. Referring to agenda item 3, he noted the efforts to mainstream the Organization into intergovernmental and inter-agency processes, notably through active involvement in major international conferences. Such activities should serve to raise UNIDO's profile internationally, thereby facilitating resource mobilization and technology transfer to promote industrial development. However, it was important to guard against the risk of spreading the Organization's resources too thinly. UNIDO must realign its objectives to the changing needs of a globally integrated industrial environment. Stress should be placed on information and communication technologies (ICT) and their application for increasing the cost-effectiveness and competitiveness of small and medium enterprises (SMEs). UNIDO must launch programmes relating, inter alia, to ICT applications and programmes for encouraging innovation in developing countries. India could play an important role in helping UNIDO develop such programmes on account of the globally recognized skills of its software engineers. Their domain knowledge in most industry sectors could be made available to other developing countries. UNIDO must also prepare itself for futuristic fields of technology development such as bioinformatics and nanotechnology, in cooperation with countries like India and China. He hoped that the review of integrated programmes and country service frameworks would result in greater efficiency. An analysis of their impact would be useful.

8. UNIDO had been named a core agency for the implementation of the Global Compact in the SME sector. Some SMEs in developing countries failed to see a direct link between "corporate social responsibility" (CSR) and financial success. UNIDO should consider the following approach: identifying sectors in the SME context where improvements in CSR would increase business volume and productivity; developing clearly-defined and realistic approaches to CSR for SMEs in developing countries; promoting an understanding of the interplay between the different partners involved in the context of CSR in SMEs in the developing world, to avoid external protectionist pressures or culturally inappropriate approaches; providing training and tools to SMEs.

9. UNIDO should focus on its core strengths to attract more external donors. He noted the increase in project and programme approvals and in technical cooperation delivery per staff member, and the improvement in the leverage ratio. He welcomed the increased levels of funding resulting from the Organization's improved access to Global Environment Facility (GEF) funding, and hoped that the two thematic initiatives launched would mobilize resources relating to a defined set of activities.

10. He thanked the Director-General for his visit to India in March and April 2003, during which consultations had been held with representatives of the Government and industry. The enthusiasm generated by the visit should further strengthen UNIDO's cooperation with India.

11. The country service framework (CSF), which was aimed at maximizing the impact of UNIDO's activities through enhanced cooperation between the Organization, the Government and other agencies, was already in operation in India. UNIDO support for a number of industrial sectors in India was appreciated.

12. The Government of India planned to upgrade industrial infrastructure to make industries globally competitive and generate employment. It would welcome UNIDO's cooperation with a view to the adoption of best practices and technologies. Assistance was also needed in the adoption of cleaner technologies and the improvement of energy efficiency in various sectors.

13. Turning to agenda item 4, he expressed the hope that the Secretariat would clearly define the working relationship between the External Auditor and the Comptroller General's Office to avoid duplication of tasks and identify responsibilities. He welcomed the External Auditor's suggestions for results-based management, including the establishment of a performance management system.

14. Despite the gradual improvement in UNIDO's financial situation, the decline of the operational budget was a matter of concern. He urged the Secretariat to take the necessary steps to improve technical cooperation delivery, which had been lower in 2002 than in 2001, although he noted an improvement in the first two months of 2003 as compared with previous years. Efforts to secure payment of outstanding contributions and to seek innovative repayment schemes must be pursued.

15. With regard to item 4 (e) he was pleased to note the increased funding during 2002 through trust-fund mechanisms. The gradual increase in voluntary contributions was a sign of UNIDO's enhanced profile. The increased funding from GEF and other international organizations would complement the efforts of UNIDO to increase resource mobilization.

16. With reference to conclusion 2003/3 of the Programme and Budget Committee (PBC), he emphasized the need for further improvement in the volume and quality of technical cooperation delivery. He hoped that the informal consultative group on voluntary contributions would help to raise more funds.

17. **Mr. NAQVI** (Pakistan) commended the efforts made by Member States and the Secretariat over the past few years which had enabled UNIDO to overcome its difficulties and achieve stability and credibility. The Organization should now consolidate the progress it had made and focus on its fundamental objective of providing effective support for the industrialization of developing countries. The widening gap between rich and poor countries made it more urgent than ever to accelerate the process of industrialization. UNIDO had a crucial role to play in promoting industry-led economic growth and capacity-building in developing countries.

18. It was encouraging to note that the rate of collection of assessed contributions for 2002 had been 93.1 per cent, the highest rate since UNIDO had become a specialized agency. Nonetheless, the Organization still relied heavily on voluntary contributions, and his delegation therefore urged the donor community to provide more funds for the integrated programmes and called upon the Secretariat to redouble its efforts in that regard. Delivery of technical cooperation activities in 2002 had amounted to US$ 81.8 million, which was a higher figure than in 2000 but below the target of US$ 90 million for 2002. However, his delegation was pleased to note that the Organization's ratio of support costs to delivery was the lowest among the agencies of the United Nations system.

19. The Programme and Budget Committee had agreed at its nineteenth session to recommend a regular budget of 145 million euros for the biennium 2004-2005. It was to be hoped that the new staff recruited by the Organization would further improve the effectiveness of its activities. His delegation commended the action taken by the Director-General to implement the recommendations of the External Auditor and also welcomed the establishment of the Office of the Comptroller General to strengthen the internal oversight function.

20. Until recently, Pakistan had received only about 6 per cent of the funding required for activities under its integrated programme. However, he was pleased to report that the European Union and UNIDO had agreed on an initiative to support capacity-building in standardization, metrology and quality control in Pakistan. His Government was committed to the integrated programme, which enjoyed the support of many local stakeholders, and hoped that the new initiative would help to accelerate its implementation.

21. **Mr. MUHAMMAD AHMED** (Sudan), commenting on sub-items (b) and (e) of item 4, welcomed the increase in collection rates and urged all Member States to pay their assessed contributions in full and on time or at least to submit appropriate payment plans. The same applied to former Member States that were in arrears.

22. He commended UNIDO's fund-raising efforts, particularly on behalf of the integrated country programmes, one of which had been developed for the Sudan. His country was working hard to implement the programme as a move towards achieving sustainable development. As a mark of its support for UNIDO, the Sudan not only paid its contributions on time but had provided premises for UNIDO's office in Khartoum and cooperated fully with the UNIDO Representative in the country. The Sudan was deeply indebted to the UNIDO Representative and other staff members who had reformulated the Sudan's country programme to the satisfaction of both the Government and donors. Preparations had begun for a first meeting of donors in Khartoum in September 2003. He trusted that UNIDO would publicize its programme among prospective donors. The Government of the Sudan had undertaken to finance 20 per cent of the budget for the programme.

23. He thanked the Government of Japan for allocating some US$ 1.2 million to a development project to be implemented by UNIDO in the Nuba Mountains region, which had been severely affected by war and population displacement.

24. His country also appreciated the cooperation between UNIDO and the United Nations Food and Agriculture Organization (FAO) in preparing and implementing an SME development project in the Sudan. The purpose of the project, which was being financed by the United Nations Development Programme (UNDP), was to reduce rural poverty, settle displaced people and, in general, create the conditions for a decent life for the people of the Sudan.

25. Turning to the question of the medium-term programme framework, 2004-2007 (agenda item 7), he commended the Director-General's initiatives aimed at promoting the availability of rural energy for productive use. He also welcomed the new sustainable development programmes for developing countries, which were in line with the Millennium Development Goals and the decisions adopted in 2001 at the Third United Nations Conference on the Least Developed Countries (LDCs). The Sudan was submitting a draft decision, on behalf of the LDCs calling on UNIDO to continue to give priority to LDC interests in its various activities, focusing on effective implementation of the Brussels Programme of Action. He urged the Director-General to take the necessary steps to integrate the Programme into the Organization's activities and he trusted that all Member States would support the draft decision so that it could be endorsed by the General Conference.

26. Turning to agenda item 10 ("Personnel matters"), he welcomed the increase in the number of staff members from Africa, in the representation of Africa in senior posts and in the number of women professional

staff members from Africa. Nonetheless, the continent's aspirations for greater and more wide-ranging representation had not yet been fulfilled. Africa had not been represented among regular professional appointees during the period from May 2001 to May 2003, or among consultants recruited on international contracts. He urged UNIDO to seek a more equitable geographical balance in the Organization's professional and management staff.

27. With regard to agenda item 11 ("Consultations with non-member States"), he encouraged the Director-General to pursue his efforts to increase UNIDO's membership in order to strengthen the Organization.

28. **Mr. HARASIC** (Chile) expressed his Government's support for the Regional Programme on Technology Foresight for Latin America and the Caribbean, which was proving effective in fostering sustainable industrial development in the countries of the region. He suggested that a review should be carried out to compare that programme with similar programmes being implemented by other international organizations. His country, for example, had learned a great deal in that regard from its contact with the European Union and the Organisation for Economic Co-operation and Development (OECD).

29. **Mr. KIKINE** (Lesotho) said that his delegation attached great importance to the Organization's activities, particularly those which benefited the member States of the Southern African Development Community (SADC). UNIDO had been cooperating with Lesotho since the 1970s and had contributed significantly to the country's efforts to achieve sustainable industrial development. His Government fully concurred with the Organization's view that a firm financial basis and commitment on the part of members were required in order to achieve sustainability.

30. Following a visit by the Director-General to Lesotho in April 2002, Lesotho had submitted two new priority areas—cleaner leather production and sandstone cutting—for UNIDO to consider supporting through integrated programmes. The Government of Lesotho appreciated the Organization's continued guidance on how to meet the requirements for funding in those areas. A tannery expert had also visited Lesotho; regrettably, a second visit scheduled for July and August 2003 had not materialized. It was to be hoped that that visit could be rescheduled for a future date.

31. Action on the two priority areas identified would contribute to employment creation and poverty alleviation, two of his country's principal and long-standing development concerns. Lesotho had the necessary raw materials, and there would be a market for the products in question locally, regionally and beyond the SADC borders. Although the issues of employment creation and poverty alleviation had been addressed through a number of forums, his Government attached particular importance to the assistance provided by UNIDO in that regard.

32. **Mr. CABAÑAS RODRIGUEZ** (Cuba) expressed his delegation's satisfaction at the continued strengthening of UNIDO, which was gaining ever more credibility and consolidating its position as an effective agency for promoting sustainable industrial development. Cuba fully supported the Organization's activities, in particular the integrated programmes. It might be beneficial to carry out a comprehensive evaluation of results achieved over the past few years, with a view to providing other agencies in the United Nations system with a positive example of cooperation for development.

33. His country greatly appreciated the activities conducted under the integrated programme for Cuba, which had helped to improve quality in food manufacturing and had also boosted tourism, a vital sector of the country's economy. Other successful activities were those related to the development of renewable energy, the application of computerized techniques in clothing design, the promotion of foreign investment and environmental protection. A number of environmental activities carried out through the National Cleaner Production Network had also produced encouraging results. Cuba had demonstrated its commitment to environmental protection by hosting the Constituent Meeting for the Creation of the UNIDO Regional Cleaner Production Programme for Latin America and the Caribbean in Havana in March 2003. His country also supported the Organization's efforts to promote energy efficiency and identify alternative sources of energy.

34. **Ms. SABANO** (Observer for Uganda), noting that the Organization had improved its performance and restored its credibility in recent years, commended its efforts to strengthen cooperation with other organizations. She welcomed the agreement between UNIDO and the Global Environment Facility, which had contributed to the implementation of important international instruments such as the Stockholm Convention on Persistent Organic Pollutants and had also paved the way for a number of projects, including the establishment of National Cleaner Production Centres.

35. However, most developing countries still faced major problems. In Africa, for example, most countries were affected by persistent economic crises caused by the narrowness of the industrial base. Urgent action was needed to enable those countries to integrate into global trade, investment and technology flows.

36. UNIDO had made great progress in supporting developing countries in the fields of trade facilitation, market access and technology transfer. It had helped

Governments to design strategies for investment and technology promotion and to strengthen the relevant legal and regulatory frameworks. The Government of Uganda particularly appreciated the Organization's assistance in the designing of a national framework for food inspection and quality control. In addition, the improved funding arrangements for the Investment and Technology Promotion Offices had enabled developing countries to attract more resources and establish direct links between local entrepreneurs and potential investors.

37. The Organization's integrated programmes were designed to promote sustainable industrial development and poverty alleviation, in line with the United Nations Millennium Development Goals. The integrated programme for Uganda had helped to alleviate poverty, stimulate economic growth by promoting microenterprises and small enterprises (MSEs), and improve the competitiveness and sustainability of agro-industries. In addition, safety measures introduced in the fishing industry had led to the lifting of the European Union ban on fish exports, with the result that the fishing industry had become a major foreign exchange earner for Uganda. Small-scale entrepreneurs in the food-processing, textile and leather subsectors had also benefited from technical assistance and advisory services under the integrated programme, which had transformed the lives of many Ugandans.

38. Sustainability was a crucial aspect of the integrated programmes, and efforts were made to involve all stakeholders throughout the project cycle. However, the programmes were inadequately funded, and donors should therefore be encouraged to increase their voluntary contributions to UNIDO. In that context, her Government wished to express its gratitude to the Governments of Italy, Norway, Japan, Austria and Denmark, as well as the Organization itself, for their contributions to Uganda's integrated programme. The achievements of the first phase of the integrated programme had prepared the ground for implementation of the second phase. Her Government therefore reiterated its request to the Organization to extend its financial and technical support for the programme. Uganda had to date met all its obligations to UNIDO and would endeavour to continue to do so. She appealed to all Member States to honour their obligations.

39. Her delegation was concerned about the status of national and international experts who, in many cases, worked for UNIDO for a number of years but were not regarded as UNIDO staff members and were therefore barred from applying for posts that were classified as internal vacancies. In Uganda, the success of the integrated programme had greatly depended on the input of such experts. Their experience was not recognized or rewarded within the Human Resources Management Framework. Such experts should be allowed to apply for internal vacancies, perhaps after completion of a minimum period of continuous service.

40. Her delegation was pleased to note that UNIDO had already begun work in the context of the New Partnership for Africa's Development. The Organization had an important role to play in NEPAD, since one of the latter's aims was the eradication of poverty through the development of an industrial strategy, and her delegation encouraged UNIDO to continue its efforts in that regard.

41. **Mr. YEPES ALZATE** (Colombia) said that his Government had noted the establishment of informal consultative groups on trade and market access facilitation and on mobilization of funds. It was to be hoped that the work of those groups, combined with the efforts of the Organization as a whole, would help to secure the full payment of regular budget contributions and a significant increase in voluntary contributions. His Government also hoped that the groups would present specific projects for improving competitiveness and access to international markets. His Government fully supported UNIDO as a vital partner in achieving clean and sustainable industrial development in Colombia and other countries in the region.

42. In the current context of globalization, many countries were adversely affected by economic difficulties and inadequate industrial development. There was a need to find new economic approaches to meeting the needs of the people of such countries. In order to restore investor confidence and reactivate Colombia's economy, the Government had developed a national development plan for 2002-2006 which focused on policies and strategies for democratic security, growth and employment creation, closure of the gap between rich and poor, action on education and public administration reform. Those policies had put Colombia on the road to recovery, permitted the protection of all sectors of society and helped to re-establish State control in areas under the influence of illegal armed groups. The people of Colombia supported the Government's efforts to recover control of territory, defend national sovereignty, combat drug trafficking, organized crime and corruption, strengthen the judiciary and promote social development in deprived areas and areas of armed conflict. However, more support for those efforts was required from the international community and organizations such as UNIDO.

43. With a view to promoting economic and social progress, the Government had already provided the first billion pesos of microcredit out of the target of 5 billion pesos to be provided by 2006. It had also created 480,000 of the 1.5 million school places it planned to create. Such efforts, together with the UNIDO integrated programme for Colombia, had led to a significant improvement in the country's industrial capacity.

UNIDO had supported projects relating, for example, to centres for subcontracting and industrial cooperation, cleaner technology centres, technology foresight for small and medium enterprises, biotechnology and the development of production chains to generate employment in deprived areas.

44. Colombia hoped to receive support from UNIDO and from donor countries to help it continue on the path of development, particularly for the benefit of areas affected by violence.

45. **Mr. PAULINICH** (Peru) said that, in January 2002, the necessary resources had been approved for the Peruvian-Chilean binational project on integrated management of the Humboldt Current Large Marine Ecosystem. The project had an overall budget of US$ 16 million and was the first one in which UNIDO, as executing agency, had been responsible for the joint scientific and technical implementation of a GEF project.

46. In addition, during a visit to Vienna by the Peruvian Deputy Minister for Industry in April 2002, a project document had been signed for the provision of technical and financial support for the industrial information and statistics system, with a view to carrying out a census of manufacturing, handicraft and tourist service enterprises. The project would involve the exchange of knowledge among industrial enterprises and the provision of reliable information on national industrial production capacity and varieties of products, with a view to conducting market studies and promoting exports and investment in the manufacturing sector.

47. Another project document had been signed for a project to improve the technological capacity of Peru in the production, processing and marketing of alpaca fibres through the introduction of new technologies, the provision of training, the dissemination of information on technology and markets and the fostering of cooperation among enterprises.

48. In 2003, agreement had been reached with the Government of Italy for the financing of a programme to strengthen competitiveness and facilitate market access for clothing, ceramics, jewellery, leather and other products. Cooperation was also continuing on the implementation of the Regional Programme on Technology Foresight for Latin America and the Caribbean, to which his country attached great importance.

49. The new international context created many challenges for Peru. The country's main objectives were to alleviate poverty, strengthen the economy through job creation, promote private investment and integrate national production into the global economy. Peru hoped for the Organization's support in order to achieve those objectives.

50. Turning to agenda items 4 and 5, he expressed his delegation's support for all the draft decisions which had been recommended by the Programme and Budget Committee, in particular that contained in conclusion 2003/3, and urged all States Members to support their adoption. His delegation also welcomed the establishment of an informal consultative group on mobilization of funds since, although progress had been made in that regard, some programmes had not been properly implemented owing to lack of funds, despite careful planning by the Organization. It was incumbent upon all Member States to cooperate more closely with the Organization in order to raise the necessary funds for integrated technical cooperation programmes.

51. **Mr. SIRIBHAKDI** (Thailand) said that he welcomed UNIDO's constructive initiatives in support of small and medium enterprises in developing countries. Activities such as the "triple bottom line" demonstration project that had taken place in four Asian countries had demonstrated that SMEs could help to improve the quality of life of the people. Sufficient funding should be ensured for project implementation and project design should be tailored to the specific nature of SMEs in developing countries.

52. Turning to agenda item 4 (h) ("Appointment of an External Auditor"), he said that his delegation very strongly supported the candidature of Mr. Caragué, Chairman of the Philippine Commission on Audit, for the position of External Auditor of UNIDO.

53. Lastly, Thailand welcomed the Organization's involvement in other international forums, and hoped that UNIDO would be represented at the meeting of the Asia-Pacific Economic Cooperation Forum (APEC) to be held in Bangkok in October.

54. **Ms. TOUATI** (Algeria) expressed satisfaction with the efforts made to streamline UNIDO's activities and to improve coordination within the Organization itself and with other agencies of the United Nations system, efforts that would enhance efficiency and credibility.

55. Although she welcomed the collection rate of assessed contributions achieved for 2002, and the improvement in the financial situation in general, funding for integrated programmes remained a matter of concern. She hoped that more support could be obtained from Member States; in that connection, she expressed her Government's gratitude to the Government of Italy for the second substantial contribution it had made to the integrated programme for Algeria.

56. UNIDO's achievements, notwithstanding difficult times and inadequate funding, gave an indication of what could be done if the Organization was supported by all Member States. The interest aroused among Member States by the establishment of informal consultative groups on voluntary contributions and market access was an encouraging sign.

57. Algeria welcomed UNIDO's commitment to the objectives of the New Partnership for Africa's Development, and was pleased to note that the Organization was reviewing its activities in Africa with a view to focusing on sectoral priorities of the NEPAD programme. The initiatives launched by the Director-General in support of developing countries and LDCs at the International Conference on Financing for Development and the World Summit on Sustainable Development (WSSD), particularly those on venture capital and strengthening supply capacity, deserved support. The Board should be kept informed of action taken in that regard and of the results achieved. Algeria was very interested in the technology initiative launched by the Director-General at WSSD and wished to be kept informed of progress made in that area.

58. She was pleased to note that the regional and subregional dimensions had been integrated fully in UNIDO's activities for 2002, and drew attention to the UNIDO-Africa Investment Promotion Agency (IPA) Network in that connection. She welcomed UNIDO's portfolio of GEF-funded activities; Algeria, which had ratified the Montreal Protocol, was committed to the gradual reduction of ozone-depleting substances and was working with UNIDO to choose the most suitable replacements. It requested UNIDO's assistance in connection with its National Environment Strategy. It had recently organized an international conference on integrated waste management in partnership with the World Bank and with the collaboration of the European Commission, Germany, the United Nations Environment Programme (UNEP) and UNDP.

59. Algeria's integrated programme had recently been revised to include the promotion of an ecologically sustainable and clean environment. Her country attached great importance to the protection of the environment. The sixteenth World Congress of the Committee of Plastics in Agriculture was to be held in Algiers in December, and participation by UNIDO would be welcome.

60. The business partnership programmes launched in connection with small and medium enterprises should be extended to include more African countries. Collaboration with the Centre for the Study of African Economies (CSAE), University of Oxford, deserved support; Algeria was interested in benefiting from the training programmes for civil servants and researchers being organized under the agreement with CSAE.

61. Her authorities greatly appreciated the solidarity they had been shown in the aftermath of the earthquake that had hit Algeria in May. They were also grateful to the Director-General for sending a team of experts to assess the damage to industrial infrastructures and for his willingness to provide assistance in that connection.

62. **Mr. ZNIBER** (Morocco) said that he was encouraged by the Annual Report and its positive evaluation of UNIDO's activities. UNIDO had intensified its cooperation with other organizations in the United Nations system and with the Bretton Woods institutions and was developing its participation in the international debate on sustainable development and the eradication of poverty. UNIDO must play its full role as the agency for coordinating industrial development in the United Nations system, and should further enhance cooperation with other institutions to enable developing countries to face the challenges of globalization. The internal restructuring of UNIDO to increase transparency, accountability and management efficiency was welcome, and UNIDO should now seek to mobilize more funds for its programmes. While he welcomed the approval of new integrated programmes and country service frameworks, there was a substantial shortfall in the funds for those activities. Implementation was often affected by lack of funding. UNIDO should seek appropriate methods for the mobilization of funds and there should be closer three-way cooperation between the Organization, donors and recipient countries.

63. Tangible results had been achieved with regard to Morocco's own integrated programme. However, the main objective of increasing the competitiveness of Moroccan industries at the regional and international levels had not yet been attained. The priorities of the integrated programme needed to be reassessed. It was also important that financial partners should make funds available under flexible conditions so that UNIDO's strategy could be tailored to the needs of developing countries.

64. With regard to the interim report of the External Auditor (agenda item 4 (a)), he supported the introduction of the Comptroller General function and more rigorous internal monitoring of operations. It was to be hoped that the shortcomings identified in earlier internal audits would be rectified, and his delegation was pleased to note that the recommendations of the various audits were being followed up.

65. With regard to item 4 (b), he was encouraged by the fact that the collection rate of 2002 assessed contributions had risen to 93 per cent. Although about 50 Member States were still without voting rights owing to an accumulation of arrears, he hoped that the positive trend would create a climate of confidence enabling negotiated settlements to be found for all concerned. In addition, he trusted that the arrears from former

Members of UNIDO could be settled in the near future and that those Members could be reintegrated into the Organization, strengthening its financial position and its activities.

66. Concerning item 4 (e), his delegation was pleased to note that the funds allocated for projects and programmes approved in 2002 had risen by 9 per cent to US$ 93.4 million. The funding situation gave grounds for optimism regarding future cooperation programmes.

67. With regard to item 5, his delegation agreed that Major Programmes C and D should remain central priorities of UNIDO. The decrease in resources for those programmes was worrying and could have a detrimental affect on developing countries and on countries with economies in transition.

68. Morocco welcomed UNIDO's support for the NEPAD programme. The decision to open UNIDO field offices in Morocco and South Africa would further enhance African industrial development cooperation. The opening of the office in Morocco would improve the implementation of the integrated programme, and he urged the Director-General to intensify efforts to expedite the establishment of the office.

69. **Mr. DE LARA** (Observer for Mexico) said that his country attached great importance to UNIDO. The Organization's activities in Mexico were being strengthened and the Director-General's visit in June had provided an opportunity to establish contacts with the national authorities and representatives of the private sector. The field office in Mexico had recently been upgraded to a regional bureau, which would facilitate regional cooperation programmes. A number of regional projects in progress would benefit from UNIDO assistance, and the Organization's experience would be of use in identifying other initiatives that could benefit the poorest populations. Mexico would make every effort to ensure that the regional bureau was a success.

70. He welcomed the success achieved in increasing the level of voluntary contributions. Efforts should be continued to obtain more resources for technical assistance and return to the levels reached at the beginning of the 1990s. All Member States should meet their commitments to the Organization. Mexico welcomed the Director-General's initiative of establishing a working group to consider strategies to increase voluntary contributions and to attract countries that were not, or no longer, Member States of UNIDO.

71. The level of living and of development in the Latin America and Caribbean region had fallen considerably over the previous 20 years and there were areas in most countries where people lived in abject poverty. He requested the Secretariat to provide data on the situation in Latin America and the Caribbean to illustrate the conditions in the region and raise the awareness of the donor community. Mexico welcomed the recent steps taken to increase UNIDO's presence in the region. The local financial and political support given to projects attested to the readiness of the Governments of the region to implement projects with the Organization.

72. On agenda item 5, he noted that the proposed programme and budgets, 2004-2005, were similar to the programme and budgets for the current biennium. His delegation welcomed the changes, primarily of an administrative nature, made to increase transparency in the management of UNIDO, and the new programme to mobilize funds for technical cooperation. The efforts to take into account the financial difficulties of Member States were appreciated; it was clear that the global economic situation made it very difficult for countries to assume additional financial commitments. The proposed programme was consistent with the Business Plan and the strategic guidelines adopted at the last session. If UNIDO's technical cooperation activities were to be efficient, they must be concrete. Subjects of particular interest for each region should be included in the programme of activities. Mexico was pleased to note that the idea of developing capacities for negotiations aimed at gaining access to international markets had been taken up, as reflected in an initiative presented by the Director-General at the Monterrey Conference. UNIDO should take advantage of the potential of South-South cooperation in such matters, establishing regional programmes such as the one drawn up for Central America.

73. The approach taken in the current medium-term programme should be continued, subject to the identification of priority areas in the light of UNIDO's comparative advantages. UNIDO's presence and operational capacity should be strengthened to allow it to offer services in different regions of the world. Although the importance of devoting attention to less developed regions was recognized, the needs and potential of middle-income countries, a number of which were to be found in Latin America and the Caribbean, must also be borne in mind.

74. Mexico continued to support UNIDO in its efforts to consolidate its position as an efficient multilateral institution contributing, through technical cooperation activities, to clean and sustainable development and the eradication of poverty.

75. **Mr. TOUQ** (Jordan) welcomed the recent improvements in UNIDO's financial situation, the restructuring of the Organization and the administrative reforms. He trusted that the adoption of a results-based management system would lead to a linkage between UNIDO's strategic objectives and performance

indicators and would facilitate accurate monitoring of performance. He encouraged UNIDO to consolidate its contacts and coordination with other organizations of the United Nations system, especially in the field, in order to draw on their expertise and resources and to avoid duplication of effort.

76. He commended the Director-General's response to the recommendations of the External Auditor on the 2001-2002 financial year and the comments of Member States thereon at the previous session of the Board. He also welcomed the establishment of a post of Comptroller General and the transparency that had characterized recent managerial appointments. The Comptroller General should standardize internal auditing procedures and ensure systematic implementation of the recommendations set forth in the interim report of the External Auditor (IDB.27/6).

77. Four years after the adoption of the integrated approach to country support, there were clear signs of progress in the effectiveness of integrated programmes and country service frameworks. It was regrettable, however, that only 36.2 per cent of the requisite funding for integrated programmes had been forthcoming in 2002, with clear disparities between the different geographical regions. For example, Jordan had received only 51 per cent of the funds needed for its programme to enhance competitiveness in the food industry and to provide employment in remote regions. He therefore urged UNIDO to redouble its efforts to bridge the current financial gap, to press ahead with more of the activities envisaged in the approved programme for Jordan and to look into the possibility of realizing the proposed project for a clean production centre.

78. Noting that five of the six UNIDO offices in the Arab States were located in Africa and only one in Asia, he called on the Director-General to look into the possibility of improving the balance by opening an additional office in Jordan to attend to the future needs of Iraq, Palestine, his own country and the countries of the Arabian Gulf.

79. Welcoming the Director-General's report on the International Centre for Science and High Technology (IDB.27/22), he stressed the importance of supporting the Centre's programme for the transfer of advanced technology to developing countries. He thanked the Centre and the Permanent Mission of Italy for convening a conference in Trieste in September 2002. He urged the Centre to continue collaborating with UNIDO in supporting national integrated programmes, taking into account the needs and priorities of Member States.

80. He welcomed efforts to improve access to new industrial development technologies for developing countries and economies in transition in partnership with developed countries and the private sector. The results achieved should be publicized in international forums.

81. He welcomed the increase in the representation of women and of different nationalities in new appointments to UNIDO's staff and encouraged the Organization to pursue its efforts to increase the proportion of women professional staff members, especially from developing countries, and the range of nationalities occupying posts subject to geographical distribution.

82. He supported the consultations under way to broaden the membership of the Organization and the establishment of an informal advisory group chaired by Italy and India to discuss consultations with non-member States, voluntary contributions and payment of arrears. It was to be hoped that all Member States currently in arrears would eventually recover their right to vote. In any case, the States concerned should not be further penalized or deprived of UNIDO's services.

83. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) commended the Director-General on UNIDO's financial situation, with the highest contribution collection rate ever and plenty of liquid assets in the regular budget. Efforts along those lines should be continued.

84. Switzerland had assisted in the establishment of a number of National Cleaner Production Centres (NCPCs) in Latin America, North Africa and Asia. He thanked the staff of UNIDO's Cleaner Production Unit, whose commitment had made the NCPC programme one of the cornerstones of sustainable development. He also expressed support for the new holistic sectoral approach aimed at strengthening cooperation within UNIDO. While he was satisfied with the results of the cleaner production programmes, there were areas which could be further developed. He urged that those cleaner production centres that were in the process of transition towards financial autonomy should be supported by UNIDO during the process. Two new cooperation programmes relating to cleaner production centres would be launched that year in Laos and Cambodia, and another was under preparation in Romania. In the area of industrial standardization, Switzerland was also preparing a cooperation project in Viet Nam to facilitate access to the market by strengthening capacities relating to metrology, testing and conformity. He urged other Member States to increase their voluntary contributions to UNIDO projects.

85. The Swiss Development and Transition Department had recently obtained ISO 9001 certification. He suggested that UNIDO might wish to consider ISO 9001 certification for its own management purposes, given that it actively encouraged ISO 9001

and ISO 14001 procedures in its own projects. Such a tool would undoubtedly improve its performance.

86. In the area of science and technology, Switzerland was proud to be hosting the first phase of the World Summit on the Information Society to be held in Geneva in December 2003. The Summit would provide an opportunity to discuss coordinated action to take advantage of the potential of information and communication technologies. Switzerland hoped that the Summit would help towards the attainment of the Millennium Development Goals and that all States would be represented at the highest possible level.

87. **Mr. CHO Chang-beom** (Republic of Korea) commended the Director-General on the many achievements of the past year: the stabilization of the financial situation, the streamlining of administration and the increase in the number of projects and programmes. Those activities had enhanced the efficiency of the organization and its relevance in the eyes of donors and beneficiaries. The year 2002 had been a year of "consolidation" for UNIDO, which had established itself as a pivotal role player in the international development community after four years of successful reform. He hoped that the momentum would not be lost.

88. He especially welcomed the expansion of the integrated programmes approach. The new programmes would help to promote capacity-building and competitiveness in developing countries. However, many programmes faced funding and implementation problems. An analysis of the reasons for the lack of success was required. His Government intended to continue to make voluntary contributions to certain integrated programmes where possible. He welcomed preparations by the Secretariat for integrated programmes in countries characterized by extreme economic and humanitarian hardship in the Asia and Pacific region. In line with its policy of peace and prosperity, the new Government of the Republic of Korea would consider extending its support with other donors to ensure the success of those integrated programmes. As the political and security situation began to improve in the region through the holding of multilateral talks, there was greater potential for UNIDO involvement. He expressed support for the Organization's thematic initiatives in areas such as trade facilitation. Trade facilitation was important for eradicating poverty in developing countries.

89. He commended the results-based management performance system introduced, and particularly appreciated the systematic and comprehensive character of the system, integrating four strategic indicators. Such reform measures should continue in order to enhance UNIDO's reputation as a relevant and results-oriented organization.

90. Although the Organization's financial situation had undoubtedly improved, with an unprecedentedly high collection rate for assessed contributions, the volume of outstanding payments and the suspension of voting rights of 50 Member States that were in arrears were a matter of grave concern. The Member States involved must meet their financial obligations in a timely manner and the Secretariat should step up its efforts to obtain payment of arrears. A further cause of concern was the decline in the delivery of technical cooperation activities. Although the figures for the first few months of 2003 were somewhat better, the Secretariat should pursue efforts to remedy the situation.

91. In conclusion, he pledged his Government's commitment to closer cooperation with UNIDO in the implementation of its mandates. In order to maintain UNIDO's truly universal character, major donor countries such as the United States, Canada and Australia should be encouraged to rejoin. The Director-General should strengthen dialogue with those countries to that end.

92. **Mr. CORDEIRO** (Observer for Brazil) said that Brazil was in the process of intensive consultations with the Director-General with a view to improving relations with UNIDO. His Government had a keen interest in revitalizing its working relationship with the Organization and was seeking to involve the various sectors of the national administration. As those efforts proceeded, it was hoped that in the near future agreement would be reached on a proposal for rescheduling payment of the significant amount of arrears in Brazil's contributions to the regular budget.

93. **Ms. TCHEKNAVORIAN-ASENBAUER** (Association of Former United Nations Industrial Development Experts (AFIDE)) said that economic and social conditions in developing countries, and LDCs in particular, as well as their ecosystems, were deteriorating. The need to follow up the recommendations of the World Summit on Sustainable Development had been stressed. The international community had noted that greater attention was being paid by African leaders to the implementation of the New Partnership for Africa's Development. That had been the theme of the Second Summit of the African Union, held in July 2003, where African Heads of State and major donors had made further commitments toward achieving sustainable development and poverty eradication on the continent.

94. Although the concessions granted by the European Union and the United States of America under the Cotonou Agreement and the Africa Growth and Opportunity Act respectively did not fully cover sensitive agricultural products, there was scope for African countries to increase their exports towards the countries concerned subject to the removal of current supply-side constraints. AFIDE welcomed UNIDO

recognition of the importance of productivity growth. However, in a competitive environment, and given the crucial role of information technology for industrial innovation, priority must be accorded to institution-building and human resource training. In connection with UNIDO's initiative to facilitate the participation of developing countries in trade and enhance their export competitiveness, stress must be placed on two key aspects: product promotion and product adaptation. To maximize the benefits of export expansion for African countries, UNIDO must also assist in the identification and development of new products.

95. AFIDE cooperated with a number of other organizations and, at a recent meeting in Paris, an agreement had been reached between the Francophone organization and AFIDE concerning cooperation on Africa-related programmes. The association wished the Board every success in its work and stood ready to cooperate with UNIDO in its endeavours.

The meeting rose at 1.15 p.m.